



LFC Newsletter

A publication of the

Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Jimmie C. Hall, Vice Chairman

David Abbey, Director

Volume 16 Issue 06

December 2015

From the Chairman

Billions with a B

The Corrections Department cabinet secretary recently warned that neglect of the state's prison facilities is contributing to conditions similar to those that led to the bloody 1980 riot. Children in the protective care of the Children, Youth and Families Department live in substandard housing, while patients in Department of Health facilities receive care in substandard facilities.

The forensics laboratory of the Department of Public Safety is in danger of losing its accreditation because of the state of its physical plant, and other DPS facilities are in trouble because of health and safety issues.

New Mexico has an estimated \$1 billion in water project needs and \$300 million in needs at state prisons. Meanwhile, the Transportation Department estimates it needs an additional \$100 million a year to maintain existing roads and an additional \$462 million a year for road and bridge rehabilitation and construction.

The figures are staggering.

While the estimate of capital outlay funding capacity was still unavailable at the beginning of this month, it's not hard to figure out that, with fluctuating oil and gas revenues and a stagnant economy, there is no way there will be enough money to cover all the need or even come close to addressing the \$1.8 billion in capital outlay requests submitted this year by state and local agencies.

Much of the public gasped when it learned more than a decade ago that New Mexico's public schools needed more than \$2 billion in replacement and repairs. The Legislature and the executive worked together on designating a funding stream and creating a funding distribution mechanism and the number of schools in poor condition is down dramatically.

We urgently need that same cooperation and effort to address transportation and facility needs throughout the state. New Mexico's policymakers have known for many years that our state's capital outlay system is broken. It distributes our limited resources poorly, with too little concern for efficiency, effectiveness and equity.

This is a problem that will just get bigger. Maintenance is less expensive than repair. Repair costs less than replacement.

This needs a bipartisan effort now.

*Senator John Arthur Smith
Chairman*

Abuse Caseloads Still High

Four "rapid hire" events held to beef up the state's child protective services and juvenile justice staff led to 50 new hires in FY16 but high turnover means staffing levels are essentially unchanged and caseloads remain high, LFC analysis of the agency's budget request says.

The Children, Youth and Families Department is asking for a total of \$475.4 million for FY17, with \$252.3 million from the state general fund. The request is a 5 percent and \$12 million increase over the agency's FY16 budget, with most of the new spending aimed at the Protective Services and Early Childhood Services programs.

The agency is scheduled to present its budget request to the committee at 9 a.m. on December 9.

The department received an additional \$2.2 million and 45 full-time child protective services positions in FY16 following several high profile child-abuse-related deaths and an LFC evaluation that found caseloads were dangerously high.

Most of the new FY16 positions were for staff who focus on the permanent placement of children in the custody of the department and most are filled. Currently, the average permanency planner caseload is 20, compared with the national standard of 12 to 15.

The agency is asking for funding for

additional permanency planners to lower caseloads to 15 children.

Overall, the department is asking for about \$8 million more for child protective services, including almost \$3 million for 50 new full-time positions. The agency is also asking for \$2.2 million for the support of children in the department's care, \$1 million to lower the vacancy rate, \$1 million to recruit foster parents and caseworkers, and \$1 million to open additional family support services centers, a project being piloted this year.

The agency is not seeking an increase for the juvenile justice program, although it is asking to increase the use of state general fund monies to cover a drop in funding from the land grant permanent fund.

The number of juveniles committed to facilities has dropped, following national trends, but the department is seeing an increase in the use of force by staff and youth-on-youth violence.

The department is asking for \$3 million more for early childhood services: \$1 million to expand the early prekindergarten pilot, \$1 million for childcare subsidies for poor families, and \$1 million for early childhood services outreach.

State spending on early childhood programs, both those managed by CYFD and those managed by other agencies, has increased \$100 million since FY12.

DPS Notes Weaknesses, Plans Attack

New Mexico has a problem with violent crime but the Public Safety Department has a plan for attacking it, the secretary for the department says.

Greg Fouratt listed violent crime as a public safety "vulnerability" during the department's budget hearing in November but said beefing up staff would help address the problem.

New Mexico is the fourth most violent state, with a violent crime rate 64 percent higher than the national average, he said. Albuquerque is the 25th most violent U.S. city with a population of 250,000 or greater and Española, Gallup and Belen all have high rates.

He listed the crime rate, heavy reliance by local police agencies on the State Police Division and a backlog in the crime laboratory as the primary weaknesses in the agency.

However he said the department has

a "plan of attack" that includes hiring more officers, more support staff and forensic staff and improving the equipment and facilities of the crime lab.

The department is asking for an additional \$4 million this year for the final phase of a three-year plan to overhaul law enforcement officer pay. The department points to a drop in the vacancy rate from 15 percent to 10 percent as evidence the plan is starting to work.

The agency also wants \$6 million in new funds mostly for additional staff, increased lab costs, and information technology and to replace federal funds lost because of changes in asset forfeiture rules.

Overall, the agency is asking for \$160 million for FY17, a 9 percent increase over the FY16 budget. That amount includes \$126 million more from the state general fund, a 6 percent increase.

Rainy Day Fund Smaller Than It Appears

New Mexico ended FY15 with about \$632 million in general fund reserves but, while the entire reserve is generally considered a safety net in case the state spends too much or earns too little, only \$232.2 million is immediately available to cover any problems this year.

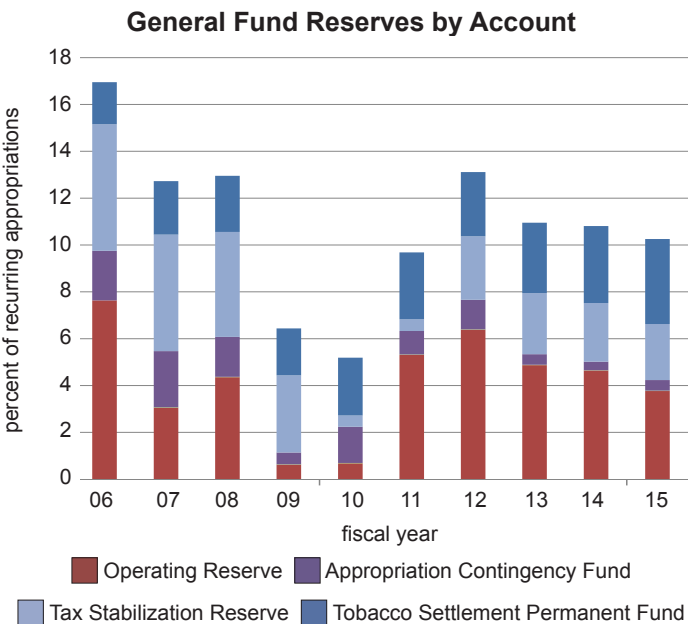
Because the state constitution requires a balanced budget, state government maintains general fund reserves but the reserve is made up of several distinct accounts and only the operating reserve is quickly accessible for use. Those funds are now 3.3 percent of recurring appropriations.

Meanwhile, oil prices, which significantly impact state revenues, have languished below the price assumed for revenue estimates, putting tens of millions of dollars of projected revenue at risk.

At the end of FY15, in addition to the \$232.2 million in the operating reserve and about \$28 million set aside for specific contingencies, the general fund reserve contained \$224 million in the tobacco settlement permanent fund and \$147.5 million in the tax stabilization reserve.

The tobacco settlement permanent fund holds some of the payments to New Mexico from cigarette companies, which agreed to pay states for harm caused by cigarette use. The Legislature can authorize spending from the fund in case of a budget shortfall only after balances in all other reserve accounts are exhausted.

The tax stabilization reserve holds excess operating reserve funds. Money left over at the end of the fiscal year is transferred to the operating reserve. Once the operating reserve hits 8 percent of the prior budget year's ongoing spending, the excess must be transferred to the tax stabilization reserve. Funds in the stabilization reserve can only be spent if the governor declares it necessary and two-thirds of both the House and Senate approve.



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Published monthly in the interim by the Legislative Finance Committee.

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On the Table

Juvenile Offenders Numbers Drop

The number of juvenile offenders dropped 3 percent in FY14 compared with FY13. The total of 224,144 was a 6 percent drop from 2002. The number of juvenile offenders in custody was down 15 percent between 2014 and 2015. Nationally, both the number of offenders and the juvenile offender commitment rate are dropping.

UNM Uncompensated Care Cut in Half

Uncompensated care within the University New Mexico Health System decreased from a high of \$241 million in FY13 to an estimated \$126 million in FY15, the UNM Health Sciences Center reported. The center was able to reduce FY14 uncompensated care by about \$40 million through retroactive billing after Medicaid expansion.

Skorprios Award Costs \$18,300 a Job

The \$5.5 million state Local Economic Development Act award for Skorprios Technologies in Albuquerque is supposed to help create 300 new jobs at a cost of \$18,300 a job. That cost-per-job figure is more than six times the average cost per job for LEDA projects in FY15. The state Economic Development Department also recently awarded \$500,000 in LEDA funds to the for-profit National American University, also for 300 jobs, at a cost of \$1,667 per job.

Engineering School Boosts Student Success

Freshman to sophomore retention rates have improved by almost 15 percentage points under New Mexico State University's freshman year experience program in the College of Engineering, the college reports. Nearly 79 percent of freshmen in the program returned as sophomores, compared with 63.9 percent of freshmen before the program. The program, supported for the next three years with \$76,000 per year from the president's performance fund, includes an introductory engineering course, a dedicated freshman writing course for engineering students, and student mentoring by junior and senior students.

Plume Could Qualify for Superfund

A plume of poisonous dry-cleaning chemicals below two neighborhoods north of downtown Albuquerque might warrant Superfund site status, the Environment Department says. The department first ordered the responsible party to develop a clean up plan 10 years ago, but while a monitoring well is in place, no final plan exists.

Transitions

Laura Vanoni will be the new head of capital infrastructure at the Indian Affairs Department. Vanoni graduated with an master's in architecture from the University of Texas at San Antonio, worked for the Texas Department of State Health Services and served as a tribal liaison and cultural competency lead for the federally recognized tribes of Texas.

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